

Title:

Sioland Development Corporation vs. Fair Distribution Center Corporation

Facts:

Fair Distribution Center Corporation supplied various merchandise to Sioland Development Corporation in November and December 2007. On September 8, 2008, it demanded payment of P800,894.27 from Sioland, which was ignored. Fair Distribution Center subsequently filed a Complaint for Collection of Sum of Money at the Regional Trial Court (RTC) of San Pablo City, Branch 29.

Sioland requested multiple extensions to file its Answer, attributing delays to its counsel's workload. After several extensions, Sioland filed its Answer with Counterclaim late, claiming it had paid the amounts due. The RTC declared Sioland in default and conducted an ex parte presentation of evidence by Fair Distribution Center, which included sales invoices, demand letters, and witness testimonies.

The RTC ruled in favor of Fair Distribution Center, ordering Sioland to pay the principal amount claimed, plus interest and attorney's fees. Sioland's Motion for New Trial was denied. Sioland appealed to the Court of Appeals (CA), which ruled that the RTC failed to state the factual and legal basis for its decision. However, the CA reviewed the evidence and ruled Sioland liable for the principal amount plus legal interest but removed the award for attorney's fees.

Dissatisfied, Sioland filed a Petition for Review with the Supreme Court, challenging the CA's ruling and procedural decisions by the lower courts.

Issues:

1. Whether the declaration of default against Sioland was proper.
2. Whether a remand of the case to the trial court was necessary.
3. Whether the CA decision complied with Sec. 14, Art. VIII of the Constitution and Sec. 1, Rule 36 of the Rules of Civil Procedure.

Court's Decision:

****1. Declaration of Default**:**

The Supreme Court upheld the lower court's declaration of default. Despite being granted extensions, Sioland failed to file its Answer timely, citing workload, which is not a valid reason. The failure to object to the RTC's order made their arguments on fraud, accident, mistake, or excusable neglect insufficient.

****2. Necessity of Remand**:**

The Court determined that remand was not necessary as the CA had already conducted a sufficient review of the facts. The evidence presented during the ex parte proceeding substantiated Fair Distribution's claims adequately.

****3. Compliance with Constitutional and Procedural Requirements**:**

Both the RTC and CA decisions were initially flawed for failing to provide thorough factual and legal bases. However, the Supreme Court corrected this by resolving the matter based on presented evidence, reiterating the validity of commercial sales invoices and counter receipts as proof of sale transactions, not payment. The evidence indicated Sioland's liability for the unpaid amount claimed by Fair Distribution.

Doctrine:

- ****Default Judgment Requirements**:** Even in default, judgments must clearly state facts and laws upon which they are based.
- ****Legal Evidence in Default Judgment**:** Only legal evidence shall be considered against a party in default, and obligations claimed must be substantiated.
- ****Payment Proof Requirement**:** Sales or charge invoices are evidence of transactions but not proof of payment; the best evidence for payment is receipts.

Class Notes:

- ****Elements of Default (Rule 9, Sec. 3, Rules of Civil Procedure)**:**
 1. Failure to file an Answer within the prescribed period.
 2. Motion by the claiming party to declare default.
 3. Proof of such failure.
- ****Mandatory Judicial Decisions Requirements**** (Art. VIII, Sec. 14 of the 1987 Constitution, and Rule 36, Sec. 1 of the Rules of Civil Procedure):
 - Must express factual and legal bases.
 - ****Commercial Document Use**:** Commercial documents such as sales invoices serve as evidence of business transactions indicating receipt of goods but not payment.
 - ****Remedies for Defaulted Parties**:** Movements for setting aside default, motion for new trial, a petition for relief, or appeal.

Historical Background:

The case exemplifies procedural rigor in corporate litigation concerning collections and the strict application of procedural rules to ensure timely resolution of disputes. This context reflects the Supreme Court's role in underscoring adherence to procedural and substantive

requirements to prevent undue delays and unjust resolutions in civil litigation.